FEBRUARY 10, 1991
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RB
RESTAURANT BUSINESS

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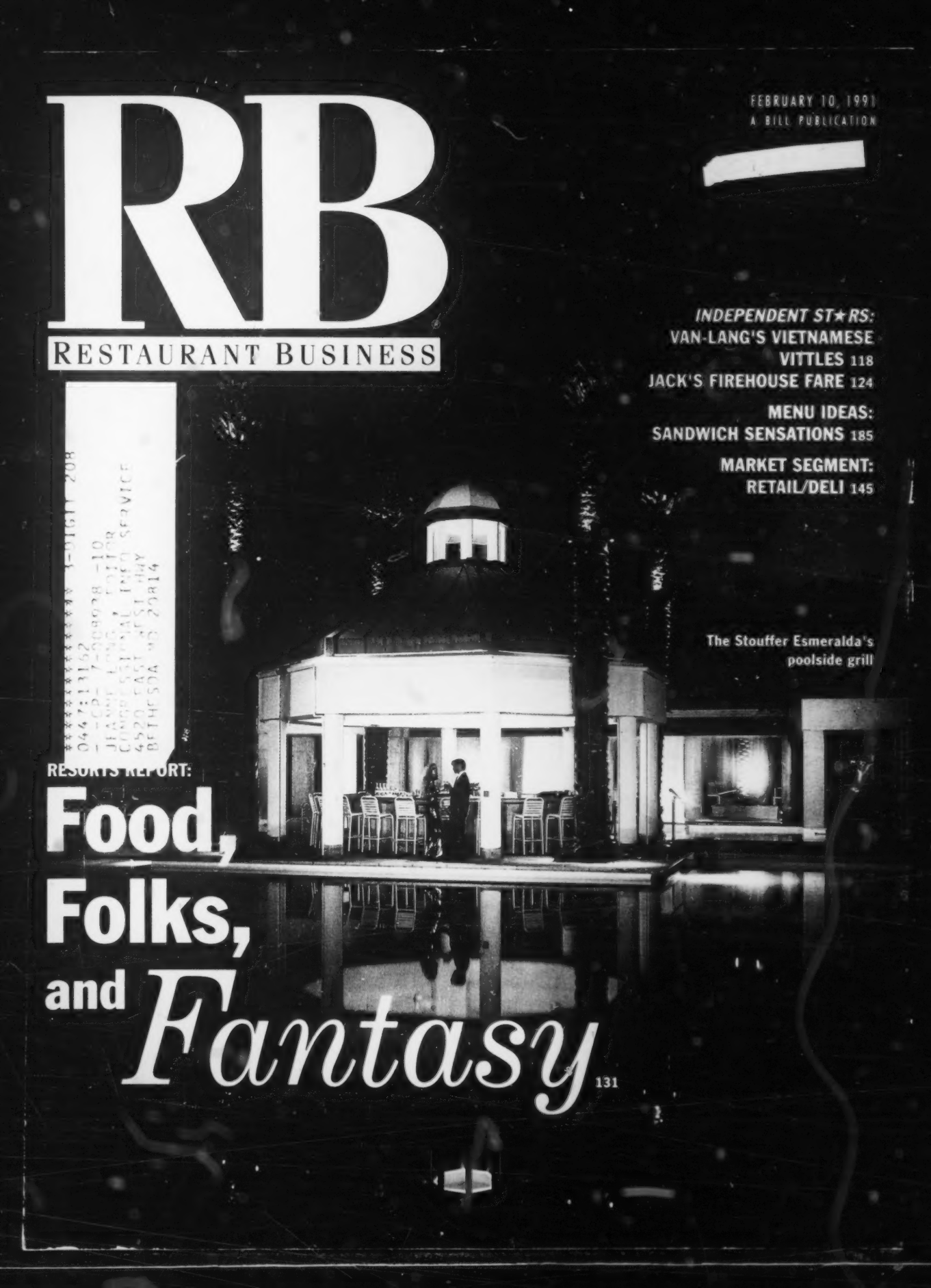

The Stouffer Esmeralda's poolside grill

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COVER STORY

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Cover photo provided by Stouffer Hotels and Resorts.

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Reprints of the **1990 RESTAURANT GROWTH INDEX** and **1990 MAJOR FORCES IN FRANCHISING** are available for $7 per copy. Direct inquiries to Editorial Director Peter Berlinski, *RB*, 633 Third Ave., New York, NY 10017.

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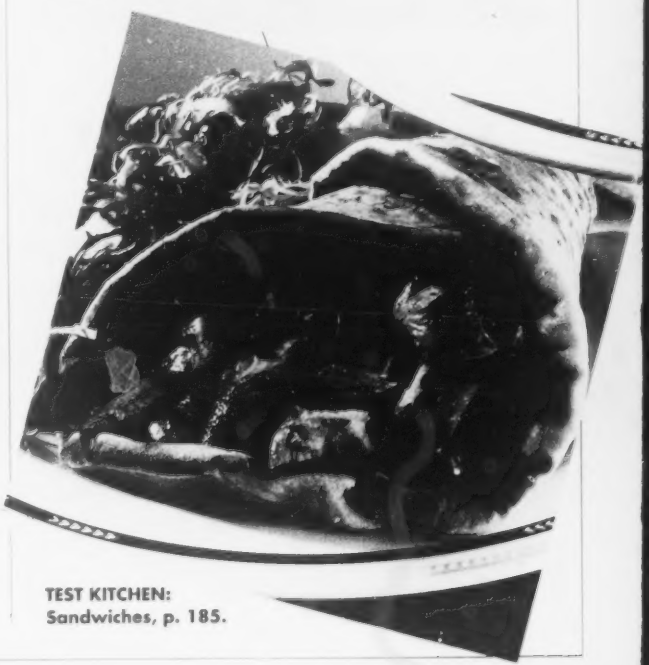
COVER STORY: FOODSERVICE CAREERS. Long hours, lack of advancement, bottom-line pressures, disruptions of family life—these are just some of the reasons so many foodservice workers question a long-term stint in our industry. In this article, *RB* takes a comprehensive look at the causes and possible solutions to career burnout. Extensive research will be highlighted, including the results of a study of 200 foodservice managers and interviews with executives who have innovative solutions to dealing with manager stress and interesting turnover reduction programs.

MARKET SEGMENT REPORT: BREAKFAST. Despite shrinking traffic counts and competition from supermarkets and c-stores, there are still opportunities to be found in this segment. Quick-service operators have found that breakfast business is closely tied to promotions as well as new product introductions. Expect midscale and upscale operators to follow suit.

DRAFTS, CARAFES: THE PREMIUM WELL APPROACH. Profit-minded operators know that a premium well spells a higher return on their promotional dollar.



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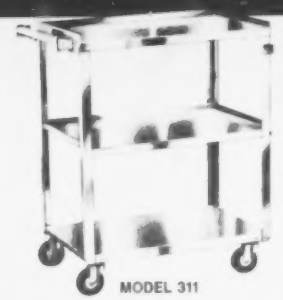

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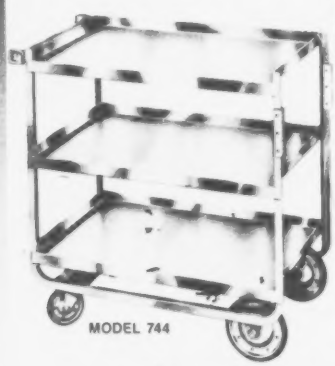

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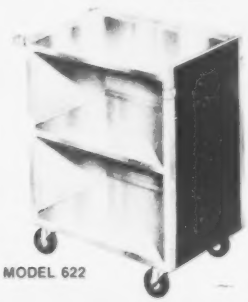

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RESORTS REPORT: Guests stay longer—and spend more money—than in mainstream hotels, but demand a greater variety of amenities; vacation travel is now an accepted way of life, but value has never been more important; operators live in breathtaking surroundings, but suffer the stress of dramatic swings in business. These are just some of the opportunities and peculiar pitfalls of trying to make a living in the resort business. *RB* takes a look at foodservice in hotels, restaurants, ski resorts, and cruise ships, and how it differs from more typical high-volume operations. Cruise lines have shown some of the hospitality industry's best growth in the last few years, but resort operators have also expanded their customer base by offering excellent service and a mix of authentic local fare and cutting-edge cuisine, such as that prepared by the Stouffer Esmeralda's Nicola Torres (right). These foodservice pros are enticing guests with . . .

Food, Folks, and Fantasy

By James Scarpa

RESORTS REPRESENT AN ATTRACTIVE GROWTH OPPORTUNITY, YET THIS SEGMENT CARRIES A PECULIAR BAGGAGE OF PROBLEMS AND CHALLENGES.

The greater resort segment is a diverse mix of leisure establishments that transcends time zones and trading styles. It ranges from tropical beachfront hotels to desert retreats, alpine ski lodges, cruise ships, bed and breakfast inns, and family-owned resort town restaurants. It covers the spectrum from luxury accommodations to budget family resorts, and even cruise packages for Middle America.

All players are vying for a common prize—the fun-seeking American vacationer, who has developed a yen for travel in recent decades. For many operators, resorts present more attractive growth opportunities than overbuilt domestic business travel markets. Yet the resort segment does not easily yield up its rewards. It carries a peculiar baggage of problems and challenges.

The main joker in the deck for all concerned may be the Persian Gulf powderkeg. At press time, war fears had already led to an upward spiral of jet fuel prices and airfares, crimping tourism and pushing several airlines (including latest casualty Pan Am) toward insolvency. Regardless of the short-term resolution of the crisis, long-term implications—economic uncertainty and the potential for unpredictable terrorist attacks—may oblige Americans to take vacations that are briefer, less expensive, and closer to home. Despite these drawbacks, resort and cruise operators are optimistic that more people than ever will "get away from it all" in the 1990s.

"The trends are very good for resorts internationally," says John Russell, president of Minneapolis-based Colony Hotels & Resorts. "We see lots of growth in the Caribbean, Mexico, and Pacific Rim, and gradual growth in North America, with parts of Florida and California still promising. People are taking more vacations, and they are trying new destinations."

"The consumer has come to look on a vacation as a necessity, not as a frill," says Paul Duynhouwer, president of St. Louis-based Clipper Cruise Line. "In tough economic times, they will always choose the best value for the money."

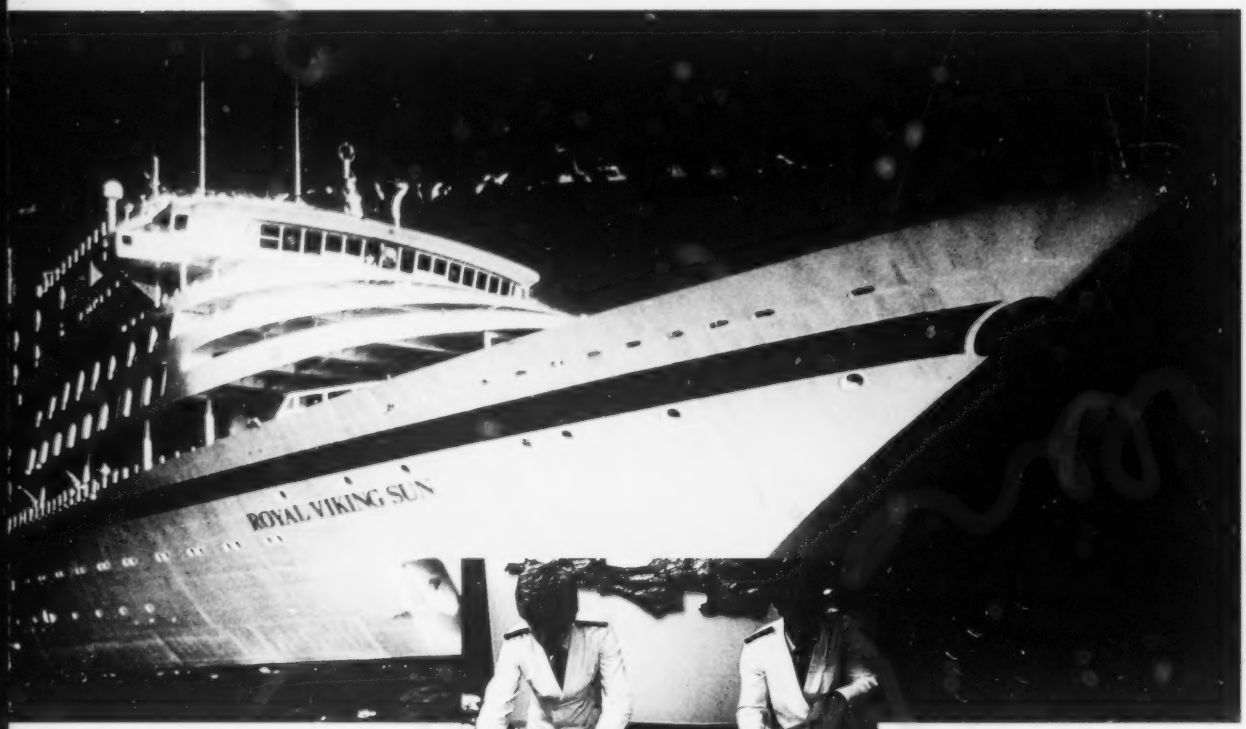
CHOOSING CRUISING. The cruise industry has exhibited some of the hospitality industry's best growth in recent years, albeit from a small base—some 95% of North Americans have yet to take a cruise. Passengers carried by cruise ships increased from more than 2.6 million in 1986 to 3.3 million in 1989, reports the Cruise Lines International Association in New York. The estimated count for 1990 is 3.7 million. Capacity has grown from 60,000 berths, or beds, in 1986 to 85,000 in 1990. To introduce a wider public to cruising, the cruise lines are promoting budget-priced two-, three-, and four-day packages.

The cruise industry benefits from its all-inclusive pricing, which covers airline tickets, lodging, entertainment, and meals. Customers of modest means are reassured knowing their exact tab, while the more affluent appreciate not having to handle cash and tipping.

Judging by recent investment activity, hoteliers are bullish on the resort business. Toronto-based Four Seasons Hotels and Resorts and the Minneapolis-based Carlson Hospitality Group's sister companies Radisson Hotels and Colony Hotels & Resorts are among those expanding in the Caribbean, Mexico, California, the Pacific Rim, and especially Hawaii. In 1992, Radisson will take a unique leap into the super-luxury cruise niche with the launch of the $125 million SSC Radisson Diamond.

Underwriting the investment is a new emphasis on food and beverage, prominent among the upgraded services and amenities that these operators are using as a marketing tool and profit center. For decades, lavish dining experiences have been among the most treasured souvenirs vacationers bring home from a resort. Many are the cruise passengers who ship out year after year, lured by extravagant midnight buffets and white-glove dining room service. Likewise, reveries of exotic Polynesian beach luaus help create repeat clientele.

CULINARY WRINKLES. Such hallmarks remain popular aspects of resort foodservice, but fresh, "can-you-top-this" culinary wrinkles are now required to attract a public more



Memories of sumptuous food—such as Royal Viking Line's dessert buffet—are high on the list of souvenirs cruise passengers bring home.

accustomed than ever before to traveling and dining out. Resorts increasingly offer a mix of restaurants representing authentic local cuisines as well as cutting-edge eclectic and ethnic cooking. Some are menuing "spa" cuisine and natural foods for the health conscious. Cruise ships are setting up à la carte restaurants with swank French haute cuisine menus. It's not unusual for resort and cruise operators to market special food and beverage events as entertainment, including wine tastings, cooking demonstrations, and lectures by prominent chefs or winemakers.

The number and styles of restaurant outlets are critical factors in providing dining variety for the guest. Leading resorts today usually include three basic formats, a fine-dining restaurant, a three-meal or family restaurant, and a specialty dining concept—often ethnic—not to mention quick-service snack bars, cocktail lounges, and nightclubs.

The recently renovated and expanded Stouffer Orlando Resort and Convention Center serves the need for variety with a diverse selection of outlets. The Atlantis restaurant specializes in French cuisine and seafood, while Haifeng offers regional Chinese cooking with tableside service flair. Trade Winds is a casual, broad-menu family restaurant. There is also Winston's, a lounge with traditional British club atmosphere and a large selection of single malt Scotch whiskies.

The Four Seasons Resort at Wailea, on the Hawaiian island of Maui, adds variety with its unique Pacific Grill restaurant—in effect three dining experiences in one. By day, the Pacific Grill is a family restaurant menuing a broad selection of salads, sandwiches, and light entrees, featuring service on an *al fresco* terrace. By night, however, lighting dims, table linens and chopsticks appear on the tables, and an exhibition stir-fry kitchen sizzles into action. Voilà—a pan-Asian restaurant focusing on Chinese, Japanese, Thai, and Vietnamese cookery.

"We build all of our restaurants on equal quality levels," says Alfons Konrad, vice president of food and beverage for Toronto-based Four Seasons Hotels and Resorts. "We want the guest to be just as pleased to eat in the three-meal restaurant as in the fine-dining restaurant."

LOCAL FLAIR. Serving up local flair is another resort foodservice imperative. The Four Seasons Resort in Nevis, British West Indies, slated to open early this year, is situated in a coconut-producing palm grove. Not surprisingly, coconut dishes are being developed as signatures, with a Thai chef-consultant helping to expand the native repertoire.

Resorts also need to strike a balance between familiar food and adventurous food. "People on holiday are interested in regional specialties, such as tropi-

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cal cooking and Hawaiian seafood, but they don't eat it every meal, so you need restaurants that cover all the bases," says Konrad.

Noel Trainor, director of food and beverage for Hilton Hotels Corp. in Hawaii, puts it a different way. "The guest wants intriguing food presented in ways that are not too unusual, not too mysterious," he says. Hilton's Cuisine of the Hawaiian Islands and Flavors of the Pacific menus have been a hit in the four Hilton properties in the islands over the past few years, and have been extended to banquets as well.

The menus spotlight indigenous ingredients in preparations familiar to customers, such as baked Maui onion soup, a salad of stir-fried beef over mixed greens, and a trio of Hawaiian beef, chicken, and seafood satays.

Radisson's Ciboney trains attendants—who prepare sous vide meals, mix cocktails, and send out the laundry—to regard the individual villa as their home.

"As a resort becomes more upscale in price and clientele, the demands for variety and innovative, adventurous food increases," says Walter Staib, food and beverage consultant for Ciboney Ocho Rios. This recently opened Radisson villa, spa, and beach resort in Ocho Rios, Jamaica, charges guests a single rate for all services and recreation, including food and drinks. Rates began at $2,450 for seven nights in a one-bedroom villa, double occupancy.

Ciboney's guests may dine at will at any of its four restaurants, or opt for a unique personalized dining experience—a gourmet meal prepared in their villa by their personal villa attendant. Entrees are actually prepared in advance by the resort's executive chef and vacuum sealed in sous vide pouches, to be conveniently heated and served by the attendant.

"Sous vide makes it possible for villa attendants to easily serve this sort of food," says Staib. "There's no way we could train them to be professional chefs."

CAMOUFLAGED RESTAURANT. The Ciboney Grill & Marketplace is a casual dining and shopping experience that Staib calls "a camouflaged three-meal restaurant" with the trappings of a Jamaican village. The menu includes native fare such as Jamaican savory tarts of meat or shrimp and pan-fried kingfish with black bean and corn relish, as well as hamburgers, omelets, pastas, and salads.

Ciboney's other restaurants include the Manor, an upscale yet casual restaurant in a setting like a colonial plantation home, specializing in classic Jamaican dishes such as jerk pork, curried lamb, plantain and meat pie casserole, and roast breadfruit. Casa Nina, a beachfront trattoria, will open in spring 1991 specializing in local seafood prepared Italian style.

Another stamp of well-run resort foodservice is leisurely service and hospitality, says Giulio Comacchio, vice president of food and beverage of Solon, OH-based Stouffer Hotels and Resorts. "The guest shouldn't be rushed as if he's in a convention hotel coffee shop," he says. "The breakfast mood is very important. Many people like to start their day slowly with room service on their lanai, enjoying coffee and a newspaper."

The Pacific Grill at the Four Seasons Resort at Wailea has menus and moods to suit all three dayparts.

CAPTIVE CLIENTELE. No resort operator's foodservice receives closer scrutiny than that given by a cruise ship's captive clientele. Cruises range in length from a weekend to 100-day world cruises. On longer voyages, shipboard food and beverage staffs are under pressure to provide quality, flair, and maintain menu interest for the passenger. Coupled with the logistical challenges of supplying and operating a floating hotel, cruise foodservice is no small feat.

These challenges notwithstanding, "it is very fair to compare cruise dining with the best restaurants on land," according to Christian Sauleau, vice president of hotel operations for Royal Viking Line. Royal Viking Line and its sister company Norwegian Cruise Line, both based in Coral Gables, FL, are leaders in à la carte cruise ship restaurants. NCL's eateries are the M/S Seaward's Palm Tree restaurant and the S/S Norway's Le Rendezvous. Each is a 130-seat luxury, reservation-only, pay-as-you-go restaurant that offers passengers an alternative to the high-volume dining rooms that feed hun-

dreds of guests three meals per day.

The Royal Grill restaurant on Royal Viking Line's ship Royal Viking Sun has a $45 per person fixed-price menu created by Laurent Malnuit, chef de cuisine of the noted Paul Bocuse restaurant in France. Typical selections include sole fillet Fernand Pointe, chicken cooked in a bladder, and pigeon in pastry with goose liver. Not all is champagne and caviar in cruise dining, however; the Big Apple Grill is an integral part of the M/S Seaward's foodservice lineup.

BED AND BREAKFAST. Growing in popularity are country inns and bed and breakfasts, which offer experiences quite different from those of major hospitality corporations. "Guests choose us because they don't want the chain hotels and motels," says Stan Arnold, who, with his wife Linda, owns and operates the Grandview Lodge, a nine-room country inn in Waynesville, NC.

"They want personal hospitality, peace and quiet, and no telephones," continues Arnold. "They enjoy being able to strike up a conversation with new acquaintances at meals." Adds Linda, "There's a market for nice vacations and weekend getaways within an hour or two of home."

Like a number of inn and B&B operators, Stan and Linda Arnold abandoned professional careers to become their own bosses. Some become quickly disillusioned by the heavy demands of the hospitality business. But the Arnolds say they are pleased with their new career after four years. "The hardest part is being tied down 12 months a year, living upstairs from the inn," says Linda. She serves family-style breakfasts and dinners to as many as 50 guests each day, featuring such homespun fare as barbecued ribs, Mom's corn pudding, and homemade ice cream.

SPA CUISINE. Healthful spa cuisine—food prepared with low levels of fat, cholesterol, sodium, and calories—is finding its way into the world of resorts and cruise ships, but with mixed results. While most guests still leave their diet consciousness at home when they go on vacation, there is a growing demand for nutritionally sensitive options.

MENU SAMPLER

CAFE MARIPOSA
Deer Valley, Park City, UT

LODGE-SMOKED SALMON
With arugula, watercress, and cucumber.

ROAST BREAST OF SQUAB
With wild mushroom risotto cake.

WINDOWS ON THE WATER
Sundial Beach and Tennis Resort, Sanibel Island, FL

CARIBBEAN-STYLE PORK TENDERLOIN $14.95

SNAPPER CASA YBEL $19.95
Topped with blue crab and béarnaise sauce.

RAINBOW LANAI
Hilton Hawaiian Village Honolulu, HI

KONA YEARLING BEEFSTEAK $13.95
Served with Big Island fiddleheads.

GRILLED MOLOKAI VENISON SAUSAGE $9.95
With Maui squash and guava chutney.

PACIFIC GRILL
Four Seasons Wailea Resort, Maui, HI

VIETNAMESE SPRING ROLLS $7.25
With pickled cucumber and spicy peanut sauce.

ROAST SUCKLING PIG $22
With Chinese steamed buns and three sauces.

LE RENDEZVOUS
SS Norway, Norwegian Cruise Line

LA SOLE DE DOUVRES BERCY $19
Dover sole with parsley-lemon butter sauce.

LA POITRINE DE FAISIN EN CROUTE $18.50
Breast of pheasant in crisp potato crust.

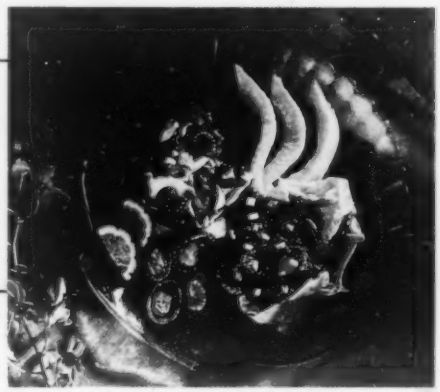
BAYWINDS
Stouffer Grand Beach Resort, St. Thomas, U.S.V.I.

CARIBBEAN CONCH CEVICHE $6
With tomato, onion, citrus, and spices.

SHARK STEAK $14
With wild mushrooms and ginger-coconut sauce.

Ciboney Ocho Rios is giving healthful cooking star billing in its Orchids restaurant, which features nutritional menus developed in collaboration with the Culinary Institute of America. "We anticipate 10% of our guests will come for the European health spa amenities, and expect upscale spa food to go with it," says John Russell, president and CEO of Colony Hotels & Resorts, which is managing the property.

Four Seasons Hotels and Resorts calls its healthful food program "Alternative Cuisine." "We find it very important to offer this option," says Alfons Konrad. "For our guests, health is a constant concern."



This Haleiwa luau salad from the Hilton Hawaiian Village balances exotic and familiar ingredients.

However, some operators remain unsold on healthful cuisine. Hilton Hotels' Fitness First program has a "very small market" in Hawaii," says Noel Trainor. And despite small inroads in healthful cuisine, the cruise industry's reputation for feeding passengers nine sumptuous meals and buffets per day remains intact.

"Frankly, we sell spa cuisine to only three or four people out of 500," says Christian Sauleau of Royal Viking Line. "Most people would rather forget about dieting for two weeks."

One of the best developed programs is Roman Spa Cuisine on Norwegian Cruise Line's S/S Norway. It consists of 1,000-calorie daily menus with nutritional breakdowns, including dishes such as vegetarian moussaka, fresh vegetable pizza, steamed grouper en papillote, and *continued on page 140*

chocolate mousse with orange confit. It complements the ship's European style health spa experience that includes bath therapy, saunas, and massage.

Food and beverage is increasingly used by resorts as a marketing tool that enhances image and encourages repeat patronage. The Deer Valley resort in Park City, UT, has received numerous press accolades for its service and amenities, including its seven restaurants and lounges. "It's a ski resort run like a fine hotel," says food and beverage director Julie Wilson. Executive chef Clark Norris was recently honored as a rising star of American cuisine by the James Beard memorial foundation. All credit founding father James Nassikas of Stanford Court Hotel fame with Deer Valley's emphasis on hospitality.

Deer Valley has no guest rooms, and its reputation is therefore crucial to attracting customers from the surrounding area. Cafe Mariposa offers $40 per person fixed-price meals with the likes of roast venison loin with hard cider sauce and lodge-smoked salmon. The Huggery Restaurant has a natural breakfast and salad buffet, featuring fresh, natural foods.

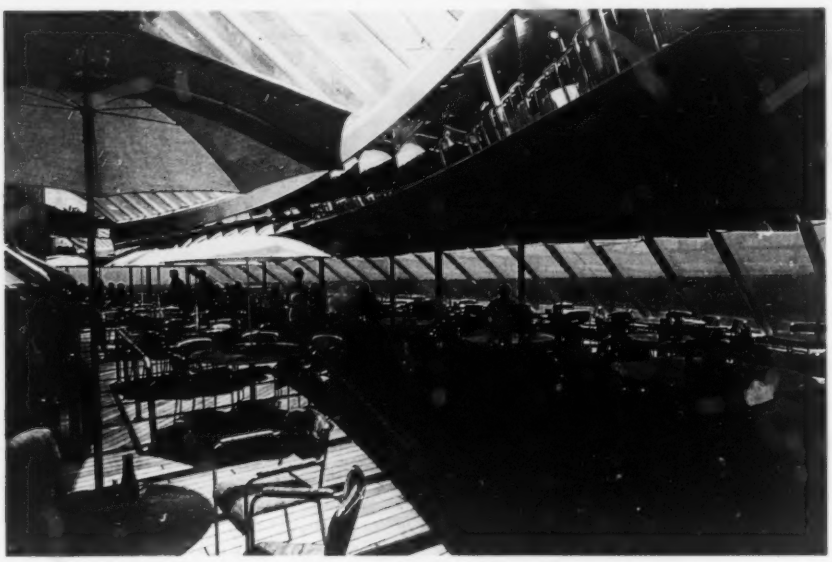
The Stouffer Esmeralda Resort in Indian Wells, CA, gets a marketing boost from special dinners with world-class chefs Paul Bocuse and Wolfgang Puck as the headliners. "Even at $150 a head, these dinners don't come close to making money for us," says food and beverage director Steve Pagano. "But the notoriety we gain may be the difference in whether guests patronize us or the competition."

Cruise ships have been using food and beverage special events as attractions and entertainment for some time. Royal Caribbean Cruises brings California winemakers on board for lectures and tastings. "These are enjoyed greatly by passengers whether on high-volume or upscale cruise ships," says executive vice president Peter Whelpton Sr.

NOT THAT EASY. None of this comes easily, however, in a seasonal environment of rushes and slack times, where an unstable labor force and remoteness from the main supply chain can waylay the best of plans. Resort operators share the problems of the industry as a whole, and then some. By nature of their locales or types of business, some face particularly daunting challenges.

Running a restaurant atop 10,000-ft.-high Aspen Mountain is no more difficult than operating in the flatlands, says George Gordon of Gwynn's High Alpine, Aspen, CO. "Not unless you figure needing to buy a $100,000 snow-cat and hiring a full time driver-mechanic to haul food up the mountain, and three snowmobiles at $15,000 to carry the early morning help up before the ski lift opens," he says.

For the cruise lines, there is an even more staggering logistical challenge. Royal Caribbean Cruises, for example, prepares food for 600,000 passengers annually, serving up to nine times daily. It specifies 1,500 items with 600 suppliers worldwide, purchasing $40 million yearly. RCC's Sovereign of the Seas has more than 100 chefs and cooks in its galleys, and an equal number of dining-room personnel. At mealtimes, the ship serves up to 800 people multicourse dinners within two hours. Diners are served a starter course from a concealed service buffet, while orders are given to a dispatcher in the galley who takes them to the appropriate station.



Elegant dining, both a la carte and inclusive, abound in cruise foodservice, but there is plenty of room for casual dining in style in restaurants like the Big Apple Grill on the M/S Seaward.

LABOR HEADACHES. Hiring, training, and motivating help is difficult in any environment these days, but in resorts the stakes are particularly high. This is especially important for front-line employees, who are in a position to either enhance or spoil the guest's experience with their attitude, effort, and skills. The Ciboney Ocho Rios resort in Jamaica has a lot riding on its front-line employees. There, each private guest villa has an attendant who provides personal guest services, such as mixing cocktails, preparing and serving meals, and sending out the dry cleaning.

"There's a big risk there, but a big reward as well," says Russell of Colony Hotels & Resorts. "We will spend three times more on training here than at any other resort."

Management strives to instill villa attendants with a sense of pride about their villa and the guests they are caring for. "That's their own home," says Russell. "There is a plaque there with her biography."

Severe seasonal fluctuations in business also create problems for resort operators. During the booming high season, management and labor are strained to maximize revenues. Yet during the off-season slump, operators must scale back drastically, often disrupting their labor force by laying off.

"Our biggest problem is in retaining crew from year to year," says Julie Wilson of Deer Valley, which is open December through April. "We lose them all and then have to recruit and retrain."

Many resort operators also report difficulties keeping their help until the end of the peak season. "If you lose a dishwasher in March, it's very difficult to find a replacement, because everyone's been hired," says Peter Harman, executive chef of Sundial Beach and Tennis Resort, Sanibel Island, FL.

Labor is a headache for Field's Steak and Stein, a family-owned and operated restaurant in Wisconsin Dells, WI, a tourist area known for river rafting and water shows. During its hectic summer season, which ranges from Memorial Day to Labor Day, it depends on college students for extra labor.

"A frequent problem for us is employees who quit with a couple of weeks left in the season because they want time off before school starts," says dining-room manager Robert Field. "We're able to cope with the shortfall in labor only because we have six family members working in the front and back of the house."

OFF-SEASON SAVINGS. Some operators are turning to new approaches to drum up business in the off season. During its peak Christmas to July season, the Marriott Desert Springs Resort and Spa, Palm Desert, CA, is pushed "to the wall," doing 70% of its annual business, according to food and beverage director Mike Stengel. But the resort remains open in the sizzling summer months, averaging 67% occupancy and selling out rooms on weekends, because it aggressively sells incentive groups, meetings, and local association functions.

"This is a cost-conscious clientele," explains Stengel. "They don't require a big catering staff, because they are happy to use the à la carte restaurants."

On Florida's West Coast, the influx of Haitian refugees in the 1980s has spelled labor relief, but not without another set of logistical challenges. The Sundial Beach and Tennis Resort on Sanibel Island transports Haitian housekeepers, dishwashers, and stewards in its own vans more than 30 miles each way from their homes in the Ft. Myers area to work each day.

"They can't afford to live near resorts such as ours," says Sundial executive chef Peter Harman. "Our retention rate is much better and they show up for work since there are no car breakdown excuses."

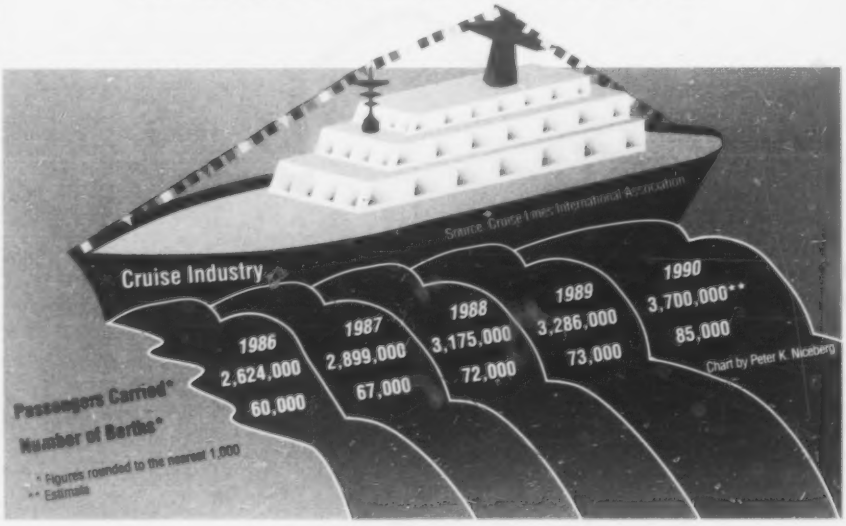
Walt Disney World in Orlando attracts an estimated 30 million tourists per year, and expects to have more than 75,000 hotel rooms early this decade. There, the boom in theme park, hotel, and restaurant building has created a sellers' market for kitchen labor, with the starting rate for experienced cooks pegged at $8 to $9 and rising, says Harman.

Labor problems in Aspen, CO, aren't as tough as one might think, says George Gordon of Gwynn's High Alpine. However, he goes to what some might think are extraordinary lengths to keep help.

"Our philosophy is to offer more than other employers to get the best people." He starts bussers at $7 per hour ("not that much in Aspen") and gives them free ski passes. Work schedules are flexible to allow slope time—one week three days on, the following week four days on. In addition, most employees have extra income from night jobs in bars, clubs, and other restaurants.

Few business bets are sure things given the current global and economic situation. Yet even factoring in the operational peculiarities of resorts, from the operators' viewpoint, it is clear that long guest stays and premium room rates and menu prices add up to a lucrative proposition. **RB**

ALL-INCLUSIVE PRICING MEANS GUESTS KNOW THEIR EXACT TAB AND DO NOT HAVE TO HANDLE CASH OR TIPPING.



RETAIL & DELI

Retail stores are competing against restaurants.

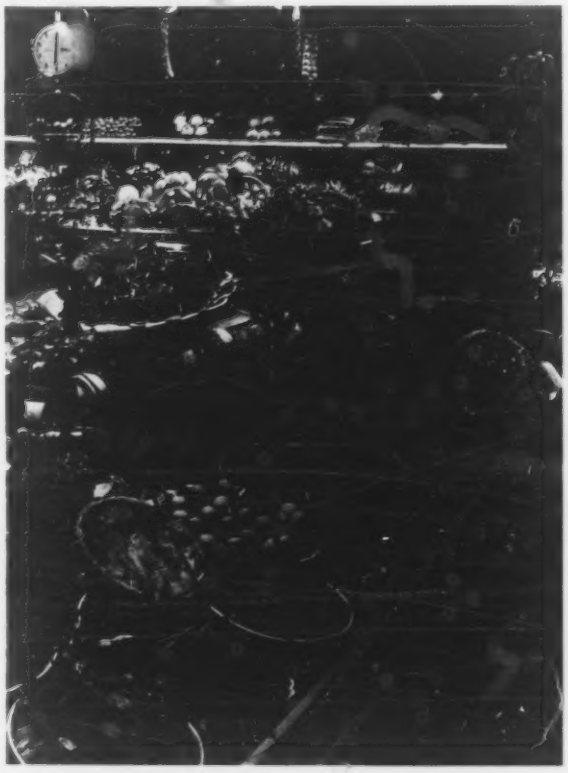
By Carol Casper

Operators who think they compete only with their fellow restaurateurs down the street had better wake up and smell the coffee. Not the brew emanating from their own kitchens, but the rich aroma wafting in from delicatessens in retail food stores. The movement of supermarkets, convenience stores, and independent delis into foodservice is well established and growing stronger.

Retailers watched the restaurant industry prosper over the last few decades by catering to changing consumer lifestyles. Now they have decided to join, or crash, the party. Responding to the same lifestyle trends that are fueling the restaurant take-out boom, retail delis are experimenting with a wide range of food options. In supermarkets, in-store delis have led other departments in growth for several years, with freshly prepared foods their fastest-growing products.

EXPANDING. "Not only is the trend of expanded delis and foodservice in supermarkets continuing," Howard Solganik, a Dayton, OH-based supermarket consultant comments, "but stores that were wary of this concept in the past are now taking a serious look."

Sales of hot and cold prepared foods in supermarket delis rose to $3.88 billion in 1989, nearly doubling the volume in two years, reports *Supermarket Business* magazine. While hot-food cases were the natural first line of expansion, there is a strong move now on the part of supermarkets toward the production of fresh prepared, chilled entrees. Other trends include the spread of ethnic foods, gourmet pizza, in-store dining areas, and full-service catering, notes Solganik.



Sutton Place Gourmet stores' upscale deli departments feature over 50 items prepared by trained chefs.

While supermarket delis are cutting a wide swath across a range of foodservice categories, many convenience stores are competing with the fast-food sector.

THE ATTRACTION. The high profit margins of foodservice are a major attraction. *Supermarket Business* reports, for example, that in 1989 gross margins on prepared foods averaged 52.2%, enabling these items to contribute over 5% of store profits based on an average 2.1% of store sales.

Statistics show that consumers

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LOGO BY STEPHANIE CASSAS

Source: Progressive Grocer's Foodservice Supermarkets April 1990

Chart by Peter K. Niceberg

Supermarkets are now beginning to cater.

are responding to these new services with growing enthusiasm. CREST, a service of Park Ridge, IL-based NPD Research, reports that consumer purchases of prepared foods from supermarkets rose 13% from August 1989 to August 1990. While this increase may seem small compared to jumps of 112% and 51% in 1987 and 1988, a main reason for the apparent slowdown is that today's growth is being measured against a greatly expanded base.

Similarly, in c-stores CREST reports that purchases of prepared foods grew 9% from August 1989 to August 1990, following a period of several years of strong double-digit growth.

A lot of restaurants don't want to believe that grocery stores are in competition with them. But we really are," says Mike Bove, director of specialty foods at Rice Epicurean Markets, Houston. "Just during lunch, we average a total of $3,500 a day from our delis in three stores."

The growing commitment of supermarkets to deli foodservice is reflected in the fact that in 1989, 20.1 of in-store deli staff were trained chefs, a one-third increase from the year before, according to *Supermarket Business*. Chef Marc Waltzer, corporate chef/consumer food consultant for the 80-unit Marsh Supermarkets Inc., Yorktown, IN, says, "If any chef wants to jump on a hot concept, supermarket foodservice is it."

ADVANTAGES. Despite their general lack of experience in food preparation, supermarkets have some competitive advantages. For one, they can draw ingredients from regular stock, resulting in far lower food costs.

Supermarkets also offer one-stop shopping. "A lot of prepared food sales are impulse purchases," notes Waltzer

On the other hand, if they aren't shopping, supermarkets are less convenient than a take-out or drive-thru restaurant. To combat this, some are now installing separate check-outs and entrances for their expanded deli operations, while a few have even attempted drive-thru windows or delivery.

DELIVERY TOO. Cunningham's Fresh Foods Supermarket in Marshfield, MO, offered fresh store-made pizza home delivered from 5 p.m. to 10 p.m. for close to two years, until the program was discontinued because the person spearheading it left the store.

"About 30% to 40% of our pizza was delivered," says Neenah Cunningham, one of the owners. "Customer acceptance was great." The supermarket also delivered lasagna and fried chicken.

Deli/bakery manager Ramona Chapman says the store may reinstitute the pizza program, and is considering installing a drive-thru window. In the meantime, Cunningham's expanded deli offers fresh-made uncooked pizzas, as well as a hot-food table.

There is some controversy as to what works best for supermarkets, traditional home-style foods or fancier fare. For many, a winning approach seems to be some combination of the two.

Most of Marsh's supermarkets, located in Indiana and Ohio, for example, offer mainly traditional foods such as fried chicken, macaroni and cheese, and lasagna. But the chain has also installed a Chinese take-out kitchen in one market, which offers 12 entrees and three soups daily. The Chinese kitchen does a strong lunch business with a $3.99 special.

Another new concept the chain has introduced in two stores is a European-style pizza called "crostada." Instead of tomato sauce, Marsh uses marinated plum tomatoes and toppings such as teriyaki chicken with cashews, pesto,

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and spinach and feta cheese.

SUPER SEATING. Marsh has also included seating areas for 40 to 50 people in a half dozen of its newest locations. But, 95% of the chain's deli business is from take-out.

Taking a more upscale approach are the three Rice Epicurean Markets of Houston. Their hot-food tables feature such items as stuffed tenderloin of beef and smothered pork chops. It also includes more standard fare. In addition, the delis offer salad bars and self-service cases featuring pizzas, sandwiches, sushi, entrees, and salads. Also in the deli is a service case with pastries and specialty cakes. This is in addition to the stores' regular bakery departments.

All the stores provide some seating in the deli. Each market has its own head chef plus three or four trained cooks. "Currently all preparations are done in each store, but we're getting close to the point where we'll need a commissary, both to insure quality and consistency, and to help with our growing catering business," says director of specialty foods Bove. Off-premise catering is now the Epicurean Markets' fastest growth area.

Prepared foods also play a large and growing role at three specialty stores operated by Sutton Place Gourmet, Rockville, MD, accounting for 15% to 22% of each store's volume. With annual sales of $35 million, the Washington, DC-area shops cater to upscale customers, according to senior vice president Ann Brody.

The centerpiece of its newest Alexandria, VA, location, and an important part of its Washington and Bethesda, MD, sites as well, is a "Traiteur" department that offers chef-prepared food, from roast lamb and whole sides of poached salmon to fajitas, quesadillas, and crab cakes. Each day, about 50 items are available. The stores also have standard delis.

Another supermarket that takes an upscale approach is eight-unit Gelson's, based in Los Angeles. All stores feature a selection of 40 gourmet salads prepared fresh daily. The stores also feature a hot-food section that service deli supervisor Joe Margucci terms "more extensive than most. Gelson's also has sushi chefs rolling sushi in each store. The delis account for a minimum of 10% of store sales and in many instances a significantly higher percentage, Margucci says.

Gelson's also recently began adding tables outside the front of its stores.

MAJOR COMMITMENT. Two stores that have made a major commitment to freshly prepared, ready-to-heat products are Schenectady, NY's Price Chopper chain, and G. & R. Feldpausch Co., Hastings, MI.

Price Chopper has introduced a "Cook's Kitchen" line of ready-to-go deli entrees in 19 of its 27 50,000- to 70,000-sq.-ft. "supercenters." Its concept entails hiring trained chefs to prepare 20 to 25 upscale hot and cold entrees, side dishes, salads, and desserts in each store daily.

The Cook's Kitchen line is positioned as a more upscale choice, notes Joanne Gage, director of consumer services. "We're an alternative," she says.

Some of the supermarkets also include coffee shops or snack bars within the deli, where customers can eat their purchases or order from a limited menu of short-order items.

G. & R. Feldpausch recently expand-

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Rice Epicurean Markets provide some seating in its delis.

Supermarkets are offering more exotic hot and cold entrees.

ed its similar "Kitchen Express" prepared foods program from its Battle Creek, MI, store to a new Feldpausch Food Center in Elkhart, IN. The items are made fresh daily in each store and packaged in dual-ovenable containers. Many of the company's other markets have hot tables in their delis but these typically utilize frozen entrees, says director of consumer affairs Jean Storey. The stores are also getting involved in a growing catering business.

A pioneer in the fresh prepared foods movement in New England is Roche Bros., Wellesley, MA, which debuted a Food Court approach in its Millis, MA, store almost three years ago. Separate food stations within the expanded deli area include the Rotisserie, a hot case for ready-to-eat entrees, and packaged, chilled items.

Since Millis, the chain has done similar sections in two Sudbury Farms stores, a supermarket concept geared to smaller, more upscale markets. Called "The Kitchen," these departments feature the same programs but unlike the Millis store have no seating.

Foodservice items in these stores contribute 6%-7% of sales, roughly twice the percentage in Millis, according to deli director Paul McGillivray.

GROCERY CAFETERIAS. Like some of the Price Choppers, a number of other supermarkets have incorporated actual restaurants, not just seating areas, in their delis. Clyde Evans Markets' Lima, OH, Super Store runs a cafeteria in its deli. About 50% of the items are prepared in-store from scratch. The deli also features chilled foods for take-home, a section deli/bakery director Eric Lowry plans to expand.

Burnstad's Pick 'n Save, Neenah, WI, has a 50-seat restaurant across the aisle from its deli, linked by a salad bar. Although the restaurant features its own menu, it is not uncommon for customers to purchase chilled prepared foods from the deli and ask to have them heated to eat in the restaurant, according to manager Chris Fiedler.

Another merchant that uses a restaurant for cross-promotion is Stock Market Food Stores, Gig Harbor, WA, which operates a restaurant across from its delicatessen.

Many c-stores have moved into full-scale fast-food menus.

While such restaurants are new additions for many supermarkets, 156-unit Hy-Vee Food Stores, Chariton, IA, has operated cafeterias in most of its supermarkets for 25 years. Hy-Vee's deli restaurants are open for breakfast, lunch, and dinner, offering complete hot menus as well as cold salads and desserts. Although people can also take food out, the majority is eaten in-store.

C-STORE CHALLENGE. While fresh prepared foods are the big growth area in supermarkets, most convenience stores seem to be heading off in either of two opposite directions: fresh, in-store preparation for some, prepackaged self-service for others.

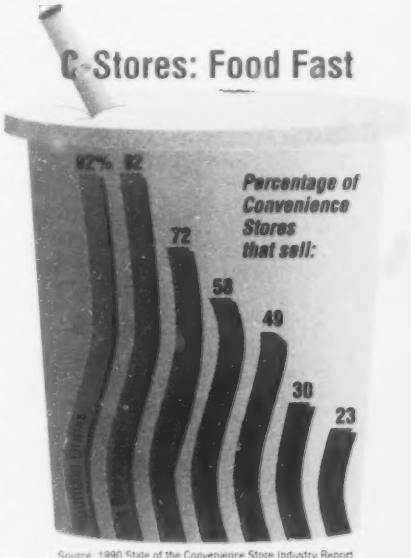
"In-store prepared foodservice is more labor intensive, but much more profitable. If done right, margins can be double that of prepared, prepackaged items," says Tom Campbell, president of C-Store Concepts, a Plano, TX-based consulting firm. "On the other hand, many of the oil companies take a 'back-to-basics' simplified approach."

A few oil companies, however, are expanding with larger stores and in-store preparation. Chicago-based Amoco Corp., for example, recently debuted a new Split Second c-store concept in Dunedin, FL, near Tampa. Nearly three times the size of one of the 1,000 Food Shops the company operates, the prototype also features an expanded foodservice section. Deli fare prepared in-store includes hot dogs, pizzas, and sandwiches on fresh-baked breads and rolls. The store also offers soups, salads, yogurt, fresh-baked rolls and doughnuts, and fresh ground coffee, plus in-store seating.

Foodservice accounts for close to 18% of sales at ARCO's AM/PM Mini Marts, says manager Don Davis. That figure has risen in the last two years and the company hopes for further increases. The Los Angeles-based oil retailer has Marts at 750 of its 1,650 ARCO stations, offering beverages, hot dogs, cheeseburgers, egg rolls, nachos, fries, burritos, ice cream, pizza, and fried chicken.

Although growth in fast-food restaurants has slowed, c-stores see an opportunity, Campbell says, because "the same customer base that shops in convenience stores also buys fast food."

"Convenience stores enjoy the perception that they are fast, convenient places to get in and out of, and they have a huge customer base in the stores at all three meal segments, buying gas and other items."



Source: 1990 State of the Convenience Store Industry Report, National Association of Convenience Stores

Chart by Peter K. Nicoberg

RETAIL & DELI

White Hen Pantry stores feature 8-ft. deli cases.

Many convenience-store chains are competing against fast food.

Unlike some c-stores that have hopped on the bandwagon more recently, White Hen Pantry has anchored its foodservice in the cold deli case since its first stores opened in 1965.

"Our stores have 8-ft. deli cases with slicers and condiments, and the majority of sandwiches are made to order," notes Al Davis, senior vice president, operations. "Chainwide, the deli counters contribute 12% of store sales." The chain has slowly phased in microwave ovens at about a third of its 400 stores in the Midwest and New England.

SANDWICH STOP. Another chain banking on sandwiches is Houston-based National Convenience Stores, which operates 1,073 Stop & Go stores. After upscaling its merchandise mix early last year in an attempt to woo a new class of shopper, this fall the company rolled out a deli sandwich program to its 500 Houston stores. The "Great Sandwiches" line features seven specialties delivered to the stores each day from a central kitchen. With an average retail price of $3.50, selections include Italian garnished with red, yellow, and green peppers and herb dressing, Cajun roast beef with pepper cheese and purple cabbage, and a Turkey Supreme with Swiss cheese and honey mustard dressing, according to director of fast food Paul Folk.

Taking a more extensive approach to foodservice is Hucks Food & Deli stores, with 103 locations in Illinois, Tennessee, Kentucky, Missouri, and Indiana. Hucks has several programs. About two-thirds of locations have full-service delis that prepare fresh sandwiches and salads in-store. Twenty-two stores offer fried chicken, along with other hot foods. Several other stores have pizza by the slice.

We use components, including ready-made crusts," says foodservice director John Leskovisek. "We tried scratch, but it didn't work." Hucks has also just added a breakfast program to nine stores, featuring breakfast sandwiches on scratch biscuits. Foodservice averages 22% of sales.

Jr. Food Marts' director of advertising Gene Clark stresses the Jackson, MS-based chain's commitment to fresh in-store preparation.

JFM's stores have featured a signature Creole fried chicken program for 15 years. Units also feature a traditional sandwich and salad-type deli, in-store bakery, and country-biscuit breakfast sandwiches. Most stores have some seats, and 30% of sales are eaten in. The delis account for 40% to 50% of inside sales.

MORNING MEAL. Wawa Food Markets, Wawa, PA, rolled out its first hot breakfast item, a bagel breakfast sandwich, chainwide late last year. The sandwiches are being manufactured to specifications by an outside supplier, according to purchasing manager Dennis Pollock.

Wawa's 490 Food Market's, located predominantly in Pennsylvania and New Jersey, also feature custom-made sandwiches and fresh salads, and steam-table service of hot soups, macaroni dishes, chili, and beef stew.

CAUTIOUS. Taking a more cautious approach to foodservice is Huntley's Jiffy, Orange Park, FL. This chain offers foodservice in just 60 of its 327 Florida and Georgia stores, ranging from deli sandwiches to fried chicken.

"We started getting into foodservice 10 years ago, and are adding new operations steadily," says director of foodservice Tom Bott. Most items are prepared in-store, including salads, biscuits, and croissants. Some also feature hot sandwiches and entrees.

"We're taking a variety of approaches, but one trend will be to cut labor costs as much as possible, whether by having customers heat up their purchases in a microwave, or bringing food items in from a central commissary," says Bott. **RB**